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REVIEW OF SALARIES OF HEADS OF PUBLIC SECTOR BODIES

November 30, 2000

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INTRODUCTION

On June 8, 2000, the Premier appointed this panel to "assess the fairness and appropriateness of scheduled increases to Deputy Ministers' salaries" and to "provide recommendations on a mechanism for determining future compensation adjustments for both Deputy Ministers and heads of public sector bodies."

The Panel's report will look at the extent to which compensation guidelines for the heads of public sector bodies are based on appropriate factors and comparators, and the extent to which public sector bodies are in compliance with such compensation guidelines. The Panel will also make recommendations regarding future compensation adjustments and the ongoing review of salaries for the heads of public sector bodies.

The Panel reviewed the compensation systems for public sector bodies in the following five sectors and their corresponding employers' associations:

- Health — Health Employers Association of British Columbia (HEABC)
- Public education (K-12) — British Columbia Public School Employers' Association (BCPSEA)
- Colleges and institutes — Post Secondary Employers' Association (PSEA)
- Universities — University Public Sector Employers' Association (UPSEA)
- Crown corporations — Crown Corporations Employers' Association (CCEA)

The information for this review was provided by the Public Sector Employers' Council (PSEC), whose mandate is to coordinate strategic directions in human resource management and labour relations under the *Public Sector Employers Act*.

An additional report has been prepared to review Deputy Ministers' salary adjustments.

TERMS OF REFERENCE

The Premier set out the Panel's mandate regarding Heads of Public Sector Bodies in Part II of the Terms of Reference set out below:

II. Review of Salaries of Heads of Public Sector Bodies

A report to the Chair of the Treasury Board is to be completed by October 15, 2000 (later extended to November 30) and will include recommendations respecting:

1. Factors and comparators relevant to salary determination for the heads of public sector bodies which may include, but are not limited to, other provincial jurisdictions, the Federal Government, BC executive salaries in the private and public sectors, and current labour market conditions;

2. A mechanism for determining future compensation adjustments for heads of public sector bodies; and

3. An appropriate cycle for the ongoing review of salaries.

EXECUTIVE SUMMARY

Overall, it is the view of the Panel that all public sector bodies are accountable for their CEO compensation practices and polices. Specifically, the Panel recommends that:

1. Compensation guidelines be established and maintained to be current and appropriate. All sector guidelines and databases should be renewed bi-annually and deal with total compensation.

2. PSEC and the employer associations support institutional and corporate Boards by providing ongoing education, guidance and training on compensation issues.

3. For the Crown Corporation sector, PSEC and CCEA develop a sector framework for CEO compensation which accounts for both market factors and public sector factors and which is based on independent advice and input from the boards.

4. Consideration be given to the effective means of ensuring compliance, once compensation guidelines have been established.

5. A Standing Advisory Committee be appointed to assist the PSEC Secretariat and the employer associations with CEO/executive compensation issues. The tasks of the Advisory Committee will include reviewing guidelines and advising on all matters relating to the integrity of the CEO compensation process.

6. Until the Advisory Committee is established, changes to CEO compensation which are outside approved compensation guidelines be subject to discussion with PSEC.

BACKGROUND

PSEC and the various Employers' Associations were established under the Act in 1993 to deal with administrative cost issues, particularly executive compensation. In March 1994, the government announced a freeze on compensation increases for certain public sector employees, including those earning more than $100,000 per year.

In September 25, 1995, PSEC approved a process for adopting sectoral compensation guidelines developed by employers' associations. Sectoral guidelines were developed and approved for HEABC (Health) and BCPSEA (K–12 education) in December 1995, and for PSEA (Colleges) and CCEA (Crown Corporations) in January 1997. Guidelines were developed for the UPSEA (Universities) in July 1998. In four sectors, the guidelines prescribe and limit compensation practices and establish total compensation ranges and levels for executive positions. The CCEA guidelines are an exception in that they provide a framework for individual Crown Corporations to develop their own compensation ranges.

In 1997, with the freeze for those earning more than $100,000 still in place, PSEC required that sectors with PSEC-approved guidelines submit implementation plans in order to achieve approved salary increases for those earning more than $100,000. Between 1997-1999, PSEC approved implementation plans for one Crown Corporation and for the public service (PSERC).

In July 1999, PSEC developed the Management Framework for Exempt and Executive Compensation Changes (the "PSEC Framework"). In this Framework, PSEC provided a new mechanism for PSEC approval of executive compensation within the prescribed salary ranges, and for the development of new salary ranges with appropriate external market comparators. Under this Framework, PSEC has approved implementation plans for HEABC, BCPSEA, and CCEA.

In both 1997 and 1999, PSEC provided the Employers' Associations with the following principles and guidelines:

- There is limited room to make compensation adjustments in light of the current fiscal and labour relations environment.
- Any plan to manage executive compensation must be reasonable, fair, and defensible, and reflect the public's desire for financially responsible public sector executive compensation practices.
- Compensation adjustments will only be permitted for those employers or sectors which have a PSEC approved exempt compensation plan.
- There will be no new funding for compensation increases: all compensation adjustments will have to be managed via existing operational budgets and through workplace efficiency gains.
- Service levels cannot be reduced to fund compensation adjustments.

- Once an employee reaches his/her target rate compensation increases should be made in accordance with the employer's compensation plan and the applicable sectoral guidelines. Where appropriate, movement within compensation ranges should be based on employee performance.
- As ability to pay will be a factor for most employers, there is no obligation for an employer to increase compensation even if an individual's compensation is below the target rate or low point of the prescribed compensation range.
- If an employee's current total compensation is above the upper limit of the applicable compensation rage, the employee's compensation rate cannot be increased until his/her compensation is below the high point of the range.

HEALTH SECTOR

The Employers' Association for the health sector, HEABC, represents over 600 health employers, Regional Health Boards, Community Health Councils and Societies.

In September 1996, HEABC introduced the Compensation Reference Plan or CRP ("the Plan") to the sector as a comprehensive system for determining executive compensation within the sector. This plan was first implemented for all senior level positions in the new Regional Health Boards and Community Health Councils, and then with other health organizations. The Plan consists of the following components:

1. **The Organization Information Plan.** This component assesses the complexity and diversity of each organization in the health sector and places each into one of five employer groups, with Group 1 being the most complex (e.g. Vancouver Hospital and Health Sciences Centre). Generally speaking, Group 1 organizations have an operating budget range of $100 million or higher, and Group 2 organizations have budgets between $50–100 million.

2. **The Role Assessment Plan** assesses the relative level of skill, effort, responsibility, and working conditions in all executive and non-contract jobs and places the jobs in recommended salary ranges.

3. **The Reference Salary Ranges** identify the appropriate salary ranges based on compensation surveys conducted in relevant external markets.

In order to determine the relevant labour market, HEABC first identified a series of Key Industry Benchmark Jobs that are representative of major job responsibilities in the health sector. Once the Benchmark Jobs were identified, the relevant labour market was determined by asking about both the supply sector (where new recruits come from) and the destination sector (where the recruits move to). The methodology for this benchmarking and defining the relevant labour market is set out in detail in a document entitled A Transition Strategy – Moving to Health Care's Compensation Reference Plan – Final Report to the Public Sector Employers' Council, which was approved by PSEC and Treasury Board in January, 1996.

The following table identifies the Key Benchmark Jobs and the labour market comparators where those benchmarks are considered to be relevant.

TABLE 1: Benchmark Jobs and Labour Market Comparators in the Health Sector

Key Industry Benchmark Job	Health	Public	Private
Chief Executive Officer	Yes	No	No
Chief Operating Officer	Yes	No	No
Vice President Medical Affairs	Yes	No	No
Vice President Nursing	Yes	No	No
Vice President Community Services	Yes	No	No
Vice President Finance	Yes	Yes	Yes
Vice President Patient Support Services	Yes	No	No
Vice President Corporate Support Services	Yes	Yes	Yes
Vice President Human Resources	Yes	Yes	Yes
Vice President Planning	Yes	Yes	No

The Chief Executive Officer position is an example of a Key Industry Benchmark Job where only organizations in the health sector outside British Columbia were surveyed. This approach to identifying the relevant labour market comparators ensures that the comparisons are reliable and valid, and are representative of the competitive labour market.

Using the industry benchmarks, HEABC then established salary ranges using the 50th percentile of these benchmark salaries.

Current salary ranges in this sector are based on survey data collected in the Fall of 1995, and have only been updated once by a two percent overall increase on April 1, 2000.

1. **The Compensation Guidelines** ensure consistent compensation practices in the health sector. The Compensation Guidelines were to be incorporated into individual contracts of employment, as well as letters of appointment and general terms and conditions of employment.

In October 1999, the Public Sector Employers' Council approved HEABC's policy document entitled Senior Executive Compensation in the health sector ("the Policy"). This Policy, which included the Plan described above, was to provide an on-going framework for establishing and adjusting compensation levels for senior executives covered by HEABC earning $100,000 or more in total compensation on an annual basis. Total compensation means all payments made to or on behalf of an employee, including salary, benefits, incentives, insurance and pension contributions, allowances, and perquisites.

In addition to the above-described HEABC compensation reference plan, the Policy contains the following components:

- The Public Sector Employers' Council Standards;
- HEABC's Framework for Establishing Compensation Levels;
- HEABC's Guidelines for Range Progression;
- HEABC's Guidelines for Retroactive Adjustments; and
- Reporting Requirements.

The reporting requirements in the Policy are as follows:

a. On an annual basis, organizations in the health sector must provide HEABC with details of changes in total compensation for each member of the executive and non-contract staff. HEABC is to provide a summary report to PSEC.

b. The Organization Comparison Ratio provides the means to monitor and ensure that the pay practices of organizations are consistent with the salary ranges in the Plan. The comparison ration is the relationship of an organization's actual salaries to the midpoints of the approved salary ranges. An organization's pay practice is in compliance with the Plan when the overall comparison ratio is within the target range of 0.90 and 1.10.

Using the mechanisms set out in the Plan and the Policy, HEABC reported to the Panel on a representative sample of 18 health employers; 12 from "Group 1" organizations, and six from "Group 2" organizations. The sample group is as follows:

Employer Group 1	Employer Group 2
British Columbia Cancer Agency	BC Centre for Disease Control
BC Women's & Children's Hospital	Cranbrook Health Council
Capital Health Region	Greater Trail Community Health Council
Central Vancouver Island Health Region	Northern Interior Regional Health Board
Fraser Valley Health Region	North Okanagan Health Region
North Shore Health Region	Richmond Health Services Society
Providence Health Care	Thompson Health Region
Simon Fraser Health Region	
South Fraser Health Region	
South Okanagan Similkameen Health Region	
Vancouver Hospital & Health Sciences Centre	
Vancouver Richmond Health Board	

In this sample, there were a total of 80 individuals. Of the 50 individuals in the Group 1 employers, eight individuals were Presidents/CEOs, and 42 individuals were in positions above a pay grade (base salary range) 13 and reported directly to the CEO. In the Group 2 employers, there were four Presidents/CEOs and 26 individuals reporting to CEOs, in positions with a pay grade (base salary range) of 12 or greater. Direct reports are included in the compensation review to provide context for the CEO salaries.

An overview of the HEABC compensation structure for this sample group is set out in the following charts:

TABLE 2: HEABC Compensation Structure

Group 1 Organizations - President and CEO Salaries

Base Salary Range	Min	Mid	Max	Average Base Salary and Other Comp	Compa-Ratio	Number of Matches (n = 8)
21	$161,667	$202,083	$242,500	$236,423	1.17	4
20	153,364	191,705	230,046	208,092	1.09	1
19	145,060	181,325	217,590	159,162	0.88	3

Group Organizations - Direct Reports

Base Salary Range	Min	Mid	Max	Average Base Salary and Other Comp	Compa-Ratio	Number of Matches (n = 42)
17	$128,454	$160,567	$192,681	$152,267	0.95	8
16	120,150	150,188	180,225	$151,977	1.01	10
15	111,847	139,808	167,770	$125,845	0.90	20
14	103,543	129,429	155,315	$118,511	0.92	4

Group 2 Organizations - President and CEO Salaries

Base Salary Range	Min	Mid	Max	Average Base Salary and Other Comp	Compa-Ratio	Number of Matches (n = 4)
20	$115,633	$144,541	$173,449	$132,000	0.91	1
19	109,853	137,316	164,780	114,650	0.83	1
18	104,073	130,092	156,110	126,270	0.97	2

Group 2 Organizations - Direct Reports

Base Salary Range	Min	Mid	Max	Average Base Salary and Other Comp	Compa-Ratio	Number of Matches (n = 26)
17	$98,294	$122,867	$147,441	$140,000	1.14	1
15	86,733	108,417	130,100	107,448	0.99	5
14	80,953	101,191	121,429	96,323	0.95	6
13	75,173	93,966	112,760	91,117	0.97	7
12	69,393	86,742	99,753	80,819	0.93	7

Note: Compa-Ratio calculated by dividing the sum of Average Base Salary and Other Compensation by the Salary Range Mid-point

In addition to the above information, the Panel was provided with individual salary information for this sample group.

PUBLIC EDUCATION SECTOR (K–12)

The British Columbia Public School Employers' Association (BCPSEA) is the employers' association for School Boards in 59 School Districts in B.C. In 1995, BCPSEA developed Compensation and Employment Standards for School District Employees not subject to a Collective Agreement ("the Standards"). PSEC approved these Standards in December 1995 and Subsequent Amendments were approved in October 1999.

BCPSEA's Standards sets out compensation standards which identify the relevant elements of total compensation such as base salary, housing, travel and isolation allowances, and benefits. It also includes guidelines on policies which affect compensation, such as contract term, contract renewal and termination, severance and retirement benefits.

Through these Standards, BCPSEA recommends salary ranges for the two senior positions in school districts – the Superintendent/CEO on the education side, and the Secretary Treasurer on the business side. It recommends that if an individual is paid above the salary range, that he/she be red-circled until the salary falls within the recommended range.

The seven salary ranges for the positions of Superintendent and Secretary-Treasurer are based on a school district's full-time equivalent (FTE) enrolment, with the highest salary range paid in districts with the greatest number of FTEs. Every three years, BCPSEA updates the salary ranges by a "best fit" regression line analysis based on all positions of Superintendent and Secretary-Treasurer in British Columbia. BCPSEA intends to gather additional data for matching positions from other provinces, such as Alberta and Ontario for its next survey in 2001.

As in the health sector, these ranges were increased by 2 percent in April 2000.

The current salary ranges for Superintendent and Secretary-Treasurer, after the April increase, are set out below. As in the health sector, these ranges reflect a two percent increase which was implemented in April 2000.

TABLE 3:

Superintendent Salary Ranges Effective April 1, 2000

Student FTEs	Min	Mid	Max	Average Base Salary	Compa-Ratio	Number of Matches
0-2000	$92,904	$98,311	$106,668	$96,544	0.98	10
2001-6000	95,204	100,744	109,313	99,910	0.99	19
6001-10,000	98,279	103,999	112,839	102,145	0.98	12
10,001-20,000	103,653	109,686	119,009	108,273	0.99	11
20,000 +	111,331	134,059	163,084	122,626	0.91	7

Secretary-Treasurer Salary Ranges Effective April 1, 2000

Student FTEs	Min	Mid	Max	Average Base Salary	Compa-Ratio	Number of Matches
0-2000	$84,196	$89,097	$96,670	$75,426	0.85	7
2001-6000	86,059	91,068	98,808	89,421	0.98	18
6001-10,000	88,542	93,695	101,660	92,938	0.99	12
10,001-20,000	92,888	98,294	106,649	99,907	1.02	11
20,000 +	99,096	118,002	142,287	109,085	0.92	7

Note: Compa-Ratio calculated by dividing the sum Average Base Salary by the Salary Range Mid-point

These salary ranges may be compared to data from the 1998 survey of compensation paid to exempt benchmark positions in the K–12 sector, set out below.

TABLE 4: Survey Results (1998) Re: Superintendent/CEO Salary Ranges

FTE Min. Enrol.	FTE Max. Enrol.	Min	10th Percentile	25th Percentile	Mean	Median	75th Percentile	90th Percentile	Max	Number of Matches
0	2,000	$85,053	$86,888	$90,000	$96,544	$94,196	$101,100	$120,000	$120,000	10
2,001	6,000	91,600	93,000	96,750	99,910	99,250	101,000	107,925	120,046	19
6,001	10,000	98,221	99,000	100,354	102,145	100,695	102,990	103,000	117,180	12
10,001	20,000	97,500	99,096	99,142	108,273	105,579	114,690	119,500	131,459	11
20,001	+	110,696	-	-	122,626	117,271	-	-	140,000	7

TABLE 5: Survey Results (1998) Re: Secretary-Treasurer Salary Ranges

FTE Min. Enrol.	FTE Max. Enrol.	Min	10th Percentile	25th Percentile	Mean	Median	75th Percentile	90th Percentile	Max	Number of Matches
0	2,000	$63,000	-	-	$75,426	$75,000	-	-	$85,100	7
2,001	6,000	81,000	82,000	86,075	89,421	87,553	90,022	102,691	105,635	18
6,001	10,000	83,175	89,500	91,289	92,938	93,152	95,000	98,454	100,353	12
10,001	20,000	90,195	92,376	94,000	99,907	95,745	106,615	107,392	116,638	11
20,001	+	97,667	-	-	109,085	107,144	-	-	119,526	7

It is possible to track how compensation for Superintendents, both in terms of average salary and of average total compensation, has changed within the different salary ranges between 1995 and 1998.

TABLE 6: Superintendent's Average Salary and Total Compensation 1995 and 1998

Superintendent of Schools

School District Student Full Time Equivalent Enrolment Range	Average Salary 1995	Average Salary 1998	Percentage Change
Less than 2,000	$89,877	$96,544	7.4%
2,001 - 6,000	96,341	99,910	3.7%
6,001 - 10,000	97,655	102,145	4.6%
10,001 - 20,000	107,517	108,273	0.7%
More than 20,000	119,283	122,626	2.8%

Superintendent of Schools

School District Student Full Time Equivalent Enrolment Range	Average Total Compensation 1995	Average Total Compensation 1998	Percentage Change
Less than 2,000	$112,324	$121,942	8.6%
2,001 - 6,000	120,807	127,027	5.2%
6,001 - 10,000	124,852	132,370	6.0%
10,001 - 20,000	134,960	137,178	1.6%
More than 20,000	146,634	155,126	5.8%

Notes: Data taken from BCPSEA's 1995 and 1998 surveys of total compensation paid to exempt benchmark positions.

Twenty-two school districts recruited new Superintendents of schools between 1995 and 1998. Fifteen school districts were affected by school district amalgamation.

Under the Standards, School Districts are required to list any perquisites or compensation arrangements that are not captured within the definition of compensation under the Standards. Payout of unused accumulated sick leave still exists for some exempt employees in some districts, but according to BCPSEA, such provisions have been grandfathered for these employees.

In its Standards, BCPSEA recognizes the role of School Boards. Under the *School Act*, the School Boards are the legal bodies entrusted with the authority and accountability in all matters, including hiring, budgets, and executive compensation. Therefore, BCPSEA sets out the following objectives in its guidelines for executive compensation in this sector:

BCPSEA believes that an effective set of compensation and employment standards must respect the autonomy and accountability of individual elected School Boards. In developing these compensation and employment standards, every effort has been made to:

1. Provide coordination and comparability for the exempt employees in the K–12 sector.

2. Enable School Boards to attract and retain high quality personnel. This implies that compensation must:

    - be competitive within the sector (within Canada for the three senior levels – Superintendent of Schools, Assistant Superintendent and Secretary Treasurer — and within B.C. for other management);
    - be sufficiently attractive to retain existing personnel and to attract new individuals of high calibre to exempt positions;
    - have appropriate relationships from one position to those at other levels; and
    - be reasonably comparable to remuneration received for similar responsibilities in the public service in other public sectors, and to a lesser extent, private sector organizations.

3. Provide full disclosure.

4. Account for total compensation.

5. Recognize the diversity of school districts and allow flexibility for a variety of situations.

6. Provide support to School Boards in carrying out their responsibilities.

7. Provide a framework that assists School Boards in complying with their fiscal objectives.

8. Provide simplicity, timeliness and ease of administration.

In the same document, BCPSEA defines its role as establishing:

> "A set of standards for contract practices for exempt staff while continuing to acknowledge the right of School Boards and their exempt staff to contract with one another."

Also, in the Standards, School Boards have their accountability defined as follows:

Fundamental accountability shall be that of an elected school board to its public, through a full disclosure policy.

Consistent with this principle, School Boards, while retaining final responsibility for determination, are expected to be able to explain their policies, procedures and compensation to their public, and on request, to BCPSEA and PSEC.

COLLEGES AND INSTITUTES SECTOR

In January 1997, PSEC approved the Post Secondary Employers' Association (PSEA)'s compensation guidelines ("the Guidelines") for 22 Colleges and Institutes. These Guidelines endorse the concept of total compensation in order to enable institutions to be more flexible in their compensation practices. The Guidelines set out the components for a total compensation model, as well as for compensation development. This includes benchmark CEO research to establish the compensation level for the CEO position.

The salary ranges for CEOs were established on the basis of a consultant's report using 1994 data. The consultant developed a formula which predicted the appropriate salary and total compensation for CEOs, based on FTE enrollments and operating budgets. While the consultant originally gathered data from five provinces, only Ontario and Alberta offered a sufficiently statistically reliable database to apply the formula. The consultants also used the formula to predict market CEO salaries, using an earlier executive compensation report which had matched public sector positions according to operating budgets. The three predicted rates (Ontario, Alberta, market) were then averaged according to the following weights: Ontario (50%), Alberta (25%) and market (25%). The error margins were also averaged according to this weighted formula, to develop low and high ranges.

Table 7 gives the 1994 actual base salaries for the CEOs of the 22 Colleges and Institutes in British Columbia. This actual salary is then compared to the predicted weighted average salary, and the weighted predicted salary ranges.

TABLE 7: BC Colleges and Institutes Base Salary and Predicted Base Salary

College	Number	Base Salary	Wt. Average	Range Low	Range High
Emily Carr	1	$96,251.00	$103,027.44	$96,998.51	$109,389.72
Northwest	2	91,305.00	103,578.09	97,524.73	109,956.53
Rockies	3	91,400.00	104,017.28	97,921.35	110,443.40
Justice	4	94,341.00	104,466.70	98,320.19	110,949.47
Northern Lights	5	91,309.00	104,622.44	98,481.95	111,098.47
North Island	6	99,500.00	105,384.63	99,206.78	111,902.51
Selkirk	7	96,507.00	105,556.02	99,379.62	112,072.28
University of Fraser Valley	8	99,039.00	107,684.02	101,412.69	114,306.59
Open Learning	9	137,661.00	107,872.54	101,547.96	114,554.74
Kwantlen	10	110,000.00	107,913.07	101,766.56	114,395.84
Capilano	11	110,000.00	108,050.43	101,857.09	114,585.64
New Caledonia	12	96,500.00	108,167.02	101,846.12	114,845.10
Langara	13	100,000.00	109,117.70	102,799.66	115,792.59
Malaspina	14	103,868.00	109,444.64	103,123.74	116,122.72
Camosun	15	103,000.00	109,892.39	103,561.05	116,582.18
University of the Cariboo	16	99,425.00	110,063.09	103,717.02	116,769.38
Douglas	17	100,800.00	110,165.96	103,832.54	116,858.06
Okanagan	18	93,453.00	112,070.65	105,638.52	118,873.32
VCC	19	110,000.00	112,304.79	105,912.17	119,063.20
BCIT	20	142,000.00	117,657.52	111,097.51	124,603.42

The same process was followed for total compensation and is set out in Table 8.

TABLE 8: BC Colleges and Institutes Total Compensation and Predicted Total Compensation

College	Number	Total Comp.	Wt. Average	Range Low	Range High
Emily Carr	1	$115,905.45	$127,832.52	$120,623.27	$135,457.63
Northwest	2	109,054.69	128,828.25	121,604.58	136,469.52
Rockies	3	106,298.20	129,199.19	121,932.95	136,888.14
Justice	4	113,879.02	129,450.12	122,133.30	137,195.72
Northern Lights	5	110,429.10	129,872.83	122,562.03	137,611.70
North Island	6	114,534.45	130,960.26	123,612.10	138,740.96
Selkirk	7	115,586.43	131,351.13	124,004.41	139,130.22
Open Learning	8	154,593.30	133,823.31	126,328.42	141,768.34
University of Fraser Valley	9	119,837.19	134,392.23	126,950.59	142,277.63
New Caledonia	10	110,010.00	134,527.69	127,036.48	142,468.60
Capilano	11	137,753.00	136,462.04	129,098.39	144,260.09
Langara	12	117,050.00	136,628.68	129,140.32	144,566.40
Kwantlen	13	131,296.00	136,869.76	129,552.93	144,615.36
Malaspina	14	103,868.00	137,278.26	129,787.05	145,219.18
Camosun	15	120,633.60	138,040.96	130,539.30	145,993.57
University of the Cariboo	16	117,261.85	138,117.47	130,601.08	146,086.58
Douglas	17	112,976.64	138,589.44	131,085.72	146,544.38
Okanagan	18	108,872.75	140,549.76	132,947.32	148,615.26
VCC	19	130,691.00	141,965.20	134,402.27	149,986.44
BCIT	20	155,106.60	148,954.21	141,223.88	157,162.94

By 2000, the average base salary has increased from $103,319 in 1994 to $118,006. Additional salary and total compensation data for 20 of the 22 Colleges and Institutes in the year 2000 are set out in Table 9 below.

TABLE 9: President & CEO (20 of 22 Colleges participating)

Compensation Component	Min.	10th Percentile	25th Percentile	Mean	Median	75th Percentile	90th Percentile	Max.
Salary	$99,290	$103,670	$109,448	$118,006	$118,854	$126,480	$140,414	$146,288
Other Cash and Incentives	0	0	0	288	0	0	0	5,763
Perquisites	0	0	4,515	5,044	5,398	7,200	8,160	10,333
Time Off	6,032	6,398	6,880	8,576	7,866	10,101	12,358	12,543
Group Benefits	2,935	4,271	5,296	5,406	5,418	6,059	6,431	7,925
Retirement/Savings Benefits	9,163	9,606	10,266	11,008	11,141	11,658	12,691	13,849
Total Compensation	122,997	130,486	139,598	148,328	148,927	157,007	172,436	188,073

This CEO compensation can also be compared to that for other senior positions in the College sector.

TABLE 10: Compensation for Colleges and Institutes CEOs and Direct Reports

Position	Min. Base Salary	Average Base Salary	Max. Base Salary	Min. Total Comp	Average Total Comp	Max. Total Comp	Number of Matches
President and CEO	$99,290	$118,006	$146,288	$122,997	$148,927	$188,073	20
Chief Financial Officer	69,360	93,892	115,824	83,116	115,099	142,435	20
Top Information Systems Position	42,840	75,534	91,670	51,698	90,910	112,106	19
Top Human Resources Position	65,769	79,976	91,670	79,397	96,204	112,106	19
Top Education Position	71,400	93,300	121,564	85,533	112,959	152,504	20

PSEA is in the process of collecting more recent market data, using 22 comparator organizations from Ontario, Alberta, Saskatchewan and Yukon. PSEA is also considering alternative approaches to measuring size, complexity and relevant comparator markets. Based on these endeavors, PSEA is in the process of establishing new compensation guidelines for this sector.

UNIVERSITIES SECTOR

The University Public Sector Employers' Association (UPSEA) developed executive compensation guidelines ("the University Guidelines") which were approved by PSEC in June 1998.

The University Guidelines set salary ranges for presidents and senior administrators in B.C.'s four traditional Universities based on a 1995 report by Hay Management Consultants. The Hay method rates the scope and complexity of work to Hay points, which are then correlated with base salaries of similar senior administrator positions in a sample of 24 Canadian universities outside British Columbia. The salary range for a position was set at plus or minus 20% of the predicted base salary. As the Hay report predated the creation of Royal Roads University and the Technical University of British Columbia, there are no salary ranges for these universities in the University Guidelines.

In July 2000, UPSEA adopted a Senior Executive Compensation Policy which provided for compensation adjustment within the salary ranges as set out in the 1995 Hay report, for executives in the university sector earning over $100,000. The current base salaries and salary ranges for all six universities are set out below (all but two of the senior administrators have been hired since 1995):

TABLE 11: Compensation for University Presidents and Direct Reports

Position	Base Salary	Benefits	Salary Range Min.	Salary Range Midpoint	Salary Range Max.	Compa-Ratio (1)
President-UBC	$215,000	$11,800	$154,400	$193,000	$231,600	1.17
VP Academic-UBC	182,000	7,200	121,800	152,200	182,600	1.24
VP Admin-UBC	175,000	8,400	105,800	132,200	158,600	1.39
VP Research-UBC	165,000	8,400	105,800	132,200	158,600	1.32
VP Student & Academic Srvcs-UBC (4)	156,000	7,200	98,700	123,400	148,100	1.32
President-SFU	170,000	5,400	132,600	165,800	199,000	1.06
VP Academic-SFU	140,000	5,000	101,500	126,900	152,300	1.14
VP Admin. -SFU	125,000	5,000	97,000	121,200	145,400	1.07
VP Research-SFU	120,000	5,000	87,800	109,800	131,800	1.14
President-UVIC	174,271	47,200 (Housing Allowance-40,000 per year)	132,400	165,500	198,600	1.34
VP Academic-UVIC (2)	138,000		109,500	136,900	164,300	1.01
VP Admin-UVIC (2)	120,000		99,900	124,900	149,900	0.96
President-UNBC	150,000	16,800	106,200	132,800	159,400	1.26
VP Academic-UNBC	115,700		91,200	114,000	136,800	1.01

Position	Base Salary	Benefits	Salary Range Min.	Salary Range Midpoint	Salary Range Max.	Compa-Ratio (1)
VP Admin - UNBC	118,000		86,900	108,600	130,300	1.09
President - Royal Roads U.	143,200	15,600	-	-	-	NA
VP Learning - Royal Roads U.	115,000	12,000	-	-	-	NA
VP Operations - Royal Roads U.	00,000	6,000	-	-	-	NA
President - TechBC (2)(3)	152,000	27,000	164,000	205,000	246,000	NA
VP Academic - TechBC (2)(3)	130,000	20,000	112,000	140,000	168,000	NA
VP Research -TechBC	130,000	20,000	112,000	140,000	168,000	NA

(1) Ration of Base Salary and Benefits to Salary Range Midpoint
(2) Includes bonus incentive plan under benefits
(3) Ranges not reviewed or approved by PSEC
(4) Also has one-time housing allowance of $100,000

The University Guidelines also set out a brief overview of other compensation issues in the university sector, including housing allowances, car assistance, special vacation and pension arrangements. While these additional compensation elements were part of the Hay comparison, only the predicted base salary and salary ranges from the study were incorporated into the University Guidelines. UPSEA forwarded the Hay comparisons on these other compensation issues to the universities to assist them in their hiring decisions. Each university was given the mandate to develop its own plan for these compensation practices and for placing new hires within the salary ranges.

In the University Guidelines, it is noted that the universities are established under different legislative acts, such as the *University Act*, which delegates to each university Board the authority to appoint employees and to determine their salaries, compensation, tenure, and duties. The Boards are accountable for these decisions by virtue of their delegated authority, in much the same way as Crown Corporations are accountable. The Panel notes that UPSEA considers the collection of more current comparative data to be a priority, and provided the following salary and compensation information for executive salaries at Ontario universities.

TABLE 12: Ontario Executive Salaries (1999) Date of Current Version: 00/05/28

	FTE U.G.	FTE Grad.	Op. Expend.	Pres. Sal.	Taxable Ben.	VP Ac. Sal.	Taxable Ben.	VP Ad. Sal.	Taxable Ben.
Toronto	37,595	6,079	$699,525.091	$250,000	$15,337	$213,719	$708	$190,384	$10,179
York	Did not report to Macleans this year			239,679	9,125	149,025	829	137,232	767
Western	20,360	1,717	294,639,000	205,000	16,868	159,000	112	182,500	112
Ottawa	15,488	2,474	267,769,951	183,855	8,448	144,555	76	137,628	-
Waterloo	15,204	1,259	203,836,000	215,000	389	172,333	-	-	-
McMaster	13,421	1,735	203,076,000	226,046	14,453	155,196	832	118,179	602
Queen's	13,443	2,209	201,597,000	221,345	961	173,095	394	-	-
Guelph	10,934	1,412	167,690,000	214,068	26,754	144,134	1,339	139,039	794
Carleton	10,024	1,875	149,797,284	179,594	1,690	132,457	-	139,003	-
Windsor	10,950	543	116,531,024	173,000	12,811	146,455	468	142,744	7,075
Brock	8,072	774	69,358,347	167,500	11,891	130,447	617	150,973	261
Wilfrid	6,851	1,487	64,892,659	218,015	5,175	158,061	849	115,853	582
Lakehead	5,634	172	52,017,355	176,823	989	107,529	372	120,268	1,854
Trent	4,153	136	45,211,000	170,000	5,983	125,000	440	120,000	422

Note 1: Ontario Salaries from Ontario Public Accounts reports T4 slip data for calendar year.
Note 2: FTE and Expenditure data are for 98/99 from Macleans 99 Survey

CROWN CORPORATIONS

In January 1997, PSEC approved exempt and executive compensation guidelines for the Crown Corporations sector. While these Guidelines consisted of standards to ensure consistent administrative practices, they did not incorporate results of a sector-wide compensation study, as was done in the health, public education (K-12), colleges and institutes, or the university sectors. Rather, the expectation was that each individual Crown Corporation would prepare its own compensation plan, based on market research, for approval by the PSEC Exempt Compensation Sub-Committee ("the Sub-Committee").

For various reasons, this did not happen.

In August 1999, the Sub-Committee approved an interim plan for the Crown Corporations sector to make compensation adjustments to address issues of immediate or pressing need. The Sub-Committee also re-established a framework for Crown Corporations to develop executive compensation plans. While a number of Crown Corporations have now developed such compensation plans, to date, none of the plans have been approved by PSEC.

For a minority of Crown Corporations, certain positions are set by Order-in-Council, such as The Science Council, BC Assessment Authority, and BC Utilities Commission. For the other Crown Corporations, executive compensation is set by the respective Boards of Directors. The Boards usually determine executive compensation by their own assessments of their markets, which may be defined as a combination of public and private sector comparators in British Columbia and across Canada.

The extent to which private sector data should be weighted and reflected in Crown Corporation executive rates has been a source of controversy.

The following tables summarize the different CEO salaries for the various Crown Corporations for May 1995, March 1999, and present. The Panel requested total compensation figures for Crown Corporation CEOs, but PSEC was not able to provide the Panel with this information.

TABLE 13: Crown Corporations' Executives Compensation Current Salary Ranges and Salaries

1. BC Ferry Corporation

	May 1995	March 1999	Present
Salary Range	Not Applicable	Not Applicable	Not Applicable
Salary	$120,000	$178,000	$178,000
Total Cash Compensation	Base Salary Only	Base Salary Only	Base Salary Only

Note: New CEO was hired into the position at the $178,000 salary
Direct report (Vice President) salary range is $103,000 – $125,000

2. BC Rail Group

	May 1995	March 1999	Present
Salary Range	Not Applicable	$298,000 - $373,000	$298,000 - $373,000
Salary	$242,000	$299,000	$299,000
Total Cash Compensation	Base salary & incentive of up to 45%	Base salary & incentive of up to 45%	Not Available

Note: Compensation ranges not approved by PSEC
Direct report (VPs and divisional Chief Operating Officers) Information not provided

3. Pacific National Exhibition

	May 1995	March 1999	Present
Salary Range	Not Applicable	Not Applicable	Not Applicable
Salary	$103,000	$120,000	$120,000
Total Cash Compensation	Base salary only	Base salary only	Base Salary only

4. Legal Services Society

	May 1995	March 1999	Present
Salary Range	Not Applicable	$97,000 - $132,000	$100,000 - $136,000
Salary	Not Available	$132,000	$136,000
Total Cash Compensation	Not Available	Base salary only	Base salary only

Note: Compensation ranges not approved by PSEC
Direct reports (5 directors) - range from $74,000 to $117,000

5. Insurance Company of British Columbia

	May 1995	March 1999	Present
Salary Range	Not Applicable	Not Applicable	Not Applicable
Salary	$175,000	$175,000	$240,000
Total Cash Compensation	Base salary only	Base salary only	Base salary only

Note: Compensation ranges were submitted to PSEC after they were implemented
Direct reports: 4 senior VPs ($140,000-$175,000); 1 Executive VP ($175,000-$200,000); 2VPs ($110,000-$150,000)

6. BC Transit

	May 1995	March 1999	Present
Salary Range	Not Applicable	Not Applicable	Not Applicable
Salary	$147,000	$140,000	$140,000
Total Cash Compensation	Base salary and bonus of up to 15%	Base salary only	Base salary only

Note: As of April 1999, new, smaller organization, with a new CEO based in Victoria
Direct reports: 6 VPs ($81,000-$124,000)

7. Tourism BC

	May 1995	March 1999	Present
Salary Range	Not Applicable	Not Applicable	Not Applicable
Salary	Not Applicable	$118,000	$144,000
Total Cash Compensation	Not Applicable	Base salary and incentive of up to 20%	Base salary and incentive of up to 40%

Note: Current salary deemed to be tied to Deputy Minister 1, and increased in same time frame. (Decision not reported to, or reviewed by PSEC)
Direct reports: 3 VPs ($82,000 - $122,000)

8. BC Buildings Corporation

	May 1995	March 1999	Present
Salary Range	Not Applicable	Not Applicable	Not Applicable
Salary	$114,000	$138,000	$138,000
Total Cash Compensation	Base salary and bonus of up to 20%	Base salary and bonus of up to 20%	Base salary and bonus of up to 20%

Note: 1999 adjustment reflects executive reorganization
Direct reports: 4 VPs (ranges/salaries not provided)

9. BC Lottery Corporation

	May 1995	March 1999	Present
Salary Range	Not Applicable	$112,000 - $137,000	$180,000 - $270,000
Salary	$115,000	$134,000	$169,000
Total Cash Compensation	Not Available	Base salary and bonus of up to 25%	Base salary and bonus of up to 25%

Note: 1999 adjustment reflects a "contract termination boost"
Current salary reflects starting salary of new CEO

10. BC Pavilion

	May 1995	March 1999	Present
Salary Range	Not Applicable	$106,000 - $143,000	$108,000 - $152,000
Salary	$125,000	$126,000	$150,000
Total Cash Compensation	Base salary and bonus target of up to $20,000	Base salary and bonus target of up to $20,000	Base salary and bonus target of up to $20,000

Note: Compensation ranges not approved by PSEC
4 senior officers and directors: $62,000 - $127,000, with bonus targets ranging from 5-10% and bonus maxima of up to 20%

11. BC Hydro

	May 1995	March 1999	Present
Salary Range	Not Applicable	Not Applicable	Not Applicable
Salary	$180,000	$180,000	$250,000
Total Cash Compensation	Base salary and bonus target of 30%	Base salary and bonus target of 30%	Base salary and bonus target of 30%

Note: Compensation ranges were submitted to PSEC after they were implemented
Direct reports: 7 Senior VPs: $160,000 - $210,000

12. Workers' Compensation Board

	May 1995	March 1999	Present
Salary Range	Not Applicable	Not Applicable	Not Applicable
Salary	$175,000	$177,000	$180,000
Total Cash Compensation	Base salary only	Base salary only	Base salary only

Note: Direct reports: 4 VPs ($98,000 - $160,000) - all below job rate

13. BC Utilities Commission

	May 1995	March 1999	Present
Salary Range	Not Applicable	Not Applicable	Not Applicable
Salary	Not Available	$108,000	$108,000
Total Cash Compensation	Not Available	Base salary only	Base salary only

Note: Direct reports: 1 Executive Director ($97,000 - $122,000); and 3 Managers (70,000 - $90,000)

14. BC Assessment Authority

	May 1995	March 1999	Present
Salary Range	Not Applicable	Not Applicable	Not Applicable
Salary	$107,000	$116,000	$134,000
Total Cash Compensation	Base salary only	Base salary only	Base salary only

Note: 1999 adjustment reflects new hire
CEO is OIC appointment: salary is tied to Deputy Minister 2 salary
Direct reports: 5 Executive Directors: $92,000 - $104,000

15. Science Council of BC

	May 1995	March 1999	Present
Salary Range	Not Available	Not Applicable	Not Applicable
Salary	Not Available	$120,000	$120,000
Total Cash Compensation	Not Available	Base salary only	Base salary only

Note: Direct Reports include: 1 VP ($92,000); and Directors and managers ($44,000 - $88,000)

ANALYSIS

Under the *Public Sector Employers Act* there is neither a mandatory requirement for employers in the public sector to develop sectoral guidelines for CEO compensation, nor a legislative requirement for compliance with those guidelines, if established.

From this review it is clear that the method for determining compensation for CEOs ranges from a comprehensive and systematic approach, as seen, for example in the health sector, to an individual approach with no overall guidelines, as in the Crown Corporations.

In each sector there are unique factors and comparators that must be evaluated to determine appropriate compensation in order to recruit and retain competent CEOs. There are two key issues in determining comparators for CEO/Executive salaries in all five of the sectors. First, should the comparators be chosen from the public sectors, the private sector or a combination of both. And second, should the comparators be drawn from a provincial or national labour market. The following analysis reviews how each sector has addressed these issues.

HEALTH SECTOR

In its planning document, A Transition Strategy: Moving to Health Care's Compensation Reference Plan, HEABC set out a method for identifying 46 benchmark positions in the health sector. Then HEABC identified the relevant labour markets outside of British Columbia for each benchmark based on the movement of recruits. As a result, the relevant labour market was defined nationally, with an appropriate combination of health sector, public sector, and private sector labour markets for each benchmark position. (see Table 1).

In the Panel's view, HEABC has done quality work in establishing clear and relevant compensation guidelines for over 600 executive employees in the health sector.

To determine whether these benchmarks and guidelines have been effectively implemented, the Panel reviewed individual salaries for 80 employees in executive positions in the sample of twelve Group 1 employers and seven Group 2 employers set out in this report.

Of the 80 employees reviewed, seven individuals receive salaries, which do not comply with HEABC's guidelines of an overall comparison ratio of between 0.90 and 1.10. Three individuals are Presidents and CEOs of three Group 1 employers: British Columbia Cancer Agency, Vancouver Hospital and Health Science Centre, and the Capital Health Region. Their salaries have corresponding organization comparison ratios of 1.20, 1.23, and 1.21 respectively. Another individual was a Vice-President of Vancouver Hospital, with a comparison ratio of 1.15.

Another three individuals are in Group 2 employers: the Northern Interior Regional Health Board and the Thompson Health Region. Two of these individuals are Regional Directors and one is a Regional Medical Health Officer, with organization comparison ratios of 1.19, 1.14 and 1.19. This information is contained in summary form in Table 2.

It is evident from this review that there are two separate areas where health sector employers have negotiated salaries, which exceed HEABC's compensation guidelines. One is for Presidents and CEOs of the largest health organizations in the province, and the other is for direct reporting positions in more rural areas.

It may be that HEABC's compensation guidelines will need to accommodate anomalies such as the Presidents & CEOs of the largest health organizations in the province. The Panel regards the salaries of the four reporting positions as anomalies, which may be corrected through the HEABC compensation guidelines over time.

PUBLIC EDUCATION SECTOR (K–12)

BCPSEA's classification of School Boards into seven groups, based on the FTE enrollment, with corresponding salary ranges, is appropriate given there clearly is a strong correlation between the responsibilities and accountabilities of the executive positions, and the size of the school population. Levels of responsibility are clearly an important factor in executive compensation.

In the Panel's view, BCPSEA's definition of the relevant labour market for the positions of Superintendent and Secretary-Treasurer is not sufficiently comprehensive. While it maintains a degree of consistency in salary ranges in the sector, it does not provide for comparators in the public sector or in other jurisdictions.

While the province is the most relevant labour market and accounts for the majority of recruits, there is a small but significant recruitment of candidates for these positions from outside the province. In the past 3-5 years, there have been 24 new Superintendents hired of which 5 (20%) were from other jurisdictions. In the same timeframe, there have been 21 new Secretary-Treasurers hired, of which three (14%) were from other jurisdictions. BCPSEA proposes to gather additional data from matching positions in Alberta and Ontario for its next survey in 2001, and in the Panel's view, this is a welcome addition to defining an appropriate labour market for these positions.

BCPSEA, using this method of benchmarking, has maintained a current and relevant database, with its surveys in 1995, and 1998, with another planned for 2001, and the resulting salary ranges offer a realistic framework to School Boards for their compensation practices.

The Panel notes that a comparison of Tables 3 and 4 reveals that in some School Districts, Superintendents and Secretary-Treasurers receive salaries, which exceed the maximums in their particular salary range.

While most School Boards in the 59 School Districts report salaries that comply with the BCPSEA guidelines, six Boards (10%) report Superintendent salaries, which are significantly above the maximum salary level for their size of School District. These significantly higher salaries may be defined as "out-liers" as they lie so far outside the common group of salaries for these positions that they are not included in BCPSEA'S formula for defining salary ranges.

One of these "out-liers" is the Conseil Scolaire Francophone de la Colombie Britannique which has a provincial mandate and which is recognizably a special case. In three School Districts (Burnaby, Langley and West Vancouver), the Boards awarded their Superintendents salaries which are $6,000-$8500 in excess of the maximum salary for their Districts. For two School Districts (New Westminster, North Vancouver), the Boards awarded their Superintendents salaries $14,000-$18,000 in excess of their salary maximums.

With respect to Secretary-Treasurers, while most School Boards report salaries which comply with BCPSEA guidelines, eight Boards (13%) reported Secretary-Treasurer salaries which are significantly above the maximum salary level for their size of School District. Four of these Boards (Delta, Vernon, Maple Ridge-Pitt Meadows, Langley) reported salaries which are between $3,000-$6,000 greater than the relevant maximum salary. One Board (Peace River North) reported a salary $8,700 in excess of their maximum salary. Three Boards reported Secretary-Treasurer salaries in significantly greater than their maximum salaries: $11,136 greater (Burnaby), $11,695 greater (New Westminster) and $15,129 greater (North Vancouver).

The Guidelines and benchmarked salary ranges were approved by PSEC in December 1995. Under the Guidelines, it is expected that these salaries will be red-circled until they fall within new, updated salary ranges.

The Panel also notes that while the majority of School Boards clearly complied with the Guidelines, both before and after the PSEC approval process, at least some of the outlying salaries were for individuals hired after the Guidelines were in place.

Given the intricate governance issues in this sector and the "out-lier" salaries by a few School Boards, the issue of compliance, and non-compliance, is a concern. BCPSEA, like PSEC, can establish guidelines and encourage cooperation but it has no explicit mechanism to either require or ensure compliance by School Boards who may be of the view that their accountability is solely to the public, rather than to BCPSEA or PSEC. This concern is exacerbated when School Boards do not participate in a variance process to disclose and justify cases where a salary in excess of the Guidelines might be appropriate.

COLLEGES AND INSTITUTES SECTOR

In the Panel's view, PSEA's approach to executive compensation is sound in that it draws carefully on a national database. This is the appropriate comparator group given that out of the 22 Colleges and Institutes in British Columbia, 13 (59%) have Presidents and CEOs who were recruited from out of province.

According to the 1994 data, of the 22 Colleges and Institutes in British Columbia, 16 had CEOs whose base salary was lower or substantially lower than the predicted base salary weighted average. Two colleges had CEOs whose salary was slightly more than the weighted average, and two institutes (BCIT, and the Open Learning Agency) had CEOs whose salaries were substantially more than the weighted average.

Overall, the salary and total compensation figures for College Presidents and CEOs are higher in the year 2000 than they were in 1994. In the absence of new weighted averages, it is not possible for either PSEA or this Panel to evaluate the appropriateness of current CEO salaries, or the extent to which the Standards have been effective in correcting anomalies which are outside the appropriate salary range.

UNIVERSITY SECTOR

The Hay points system offers a method for comparing salaries in a small national market, which is the relevant market in this sector. Of 25 new hires in senior executive positions at the six universities between 1995-2000, 11 (44%) were recruited from outside British Columbia.

However, the salary ranges in the University Guidelines were compiled based on a 1995 survey, and are significantly out of date. While the current salaries paid to university presidents and vice-presidents in five universities still fall within the recommended salary ranges, most of these salaries are now well above the salary range mid-point.

The exception is the University of British Columbia. At this university, the salaries for three Vice-Presidents are greater than the maximum in the salary range, and the remaining Vice-President is at the maximum of the salary range. The Panel notes that the salary for the UBC President position does not seem to be out of line with current salaries for university presidents in comparable Ontario universities.

In the Panel's view, it is difficult to determine whether the UBC salaries are excessive, or whether the Guideline salary range is simply no longer reflective of the true labour market rates for a major research university. It may well be there have been upward market pressures on particular types of positions in the more traditional universities. The average base salary for all executive positions in universities in British Columbia increased from $137,168 in 1995 to $142,920 in 2000. The slight increase in the average salary is a composite, reflecting both a substantial increase in salaries paid due to recent hires at UBC and UNBC, and a substantial decrease due to the new senior administrative positions at Royal Roads and TechBC.

Given the governance structure in this sector, with the university Boards having delegated authority, it is imperative that salary ranges be current, appropriate, and draw on a National database if they are to offer legitimate guidance to the Boards in their hiring decisions. If the salary ranges are out of date, Boards will make their own determinations about the salaries required in the current labour market, and the desired element of cooperation and voluntary compliance with sectoral guidelines will not occur.

There are no guidelines for serious compensation issues like housing allowances and pensions. While these benefits may be appropriate to the academic market, the Panel is concerned that there is effectively no coordination around such compensation issues.

CROWN CORPORATIONS

It is clear that there are no sector compensation guidelines in the Crown Corporation sector, and PSEC has only approved one of the individual Crown Corporation executive compensation plans which have been submitted. Not surprisingly, compensation practices in Crown Corporations vary widely, based as they are on individual Crown Board's own assessments of their markets.

The Panel recognizes that the Crown Corporations vary substantially in their mandate: from government agencies to corporations almost exclusively engaged in commercial operations. As a result, determining guidelines for executive compensation in this sector is a complex undertaking.

It must be noted that the Panel's review of this sector was restricted because limited information on the Crown Corporations was provided to the Panel by PSEC. For example, total compensation figures for CEOs were not available.

RECOMMENDATIONS AND CONCLUSIONS

Under the *Public Sector Employers Act*, PSEC together with the Employers' associations are charged with guiding, rather than regulating, the compensation practices of public sector employers. This model of voluntary compliance requires significant cooperation by all the parties, and sectoral guidelines which are current and effective.

In the Panel's view, the Employer Associations in the four sectors of health, public education, colleges and institutes, and universities, have made progress towards fair and reasonable executive compensation. In particular, in the health and colleges and institutes sectors, consistent guidelines for executive compensation have been effective. The difficulties and complexities in the Crown Corporations sector have contributed to that sector's lack of progress in developing compensation guidelines and achieving approval from PSEC for executive salaries.

It is apparent from this Review that voluntary compliance with executive compensation guidelines is not universal. In sectors where guidelines have been developed and approved, non-compliance can result in substantive inequities. In the Crown Corporations sector there are no approved guidelines. In the universities sector where there are guidelines that are not current, the integrity of these guidelines is impaired and compliance is difficult to measure.

In the view of the Panel all public sector bodies are accountable for their CEO compensation practices and policies. It should be remembered that the *Public Sector Employees Act* mandates the coordination of compensation practices. The *Act* ensures that the public interest is respected in a fair and practical manner, mindful of the differences between the various public sector communities but at the same time, attentive to responsible public sector guidelines. The public expects no less from the governors of the public sector institutions that they lead.

It is essential that compensation guidelines be established and maintained to be current and appropriate. The Panel recommends that in all sectors guidelines and databases be renewed bi-annually. The Panel also recommends that all Employer Associations be provided with sufficient resources to accomplish this task. As well, the Panel recommends that these guidelines and databases deal with total CEO/Executive compensation ranges, including all benefits.

Once Employer Associations establish current and appropriate guidelines which are approved by PSEC, any recommended salary or compensation increases that fall within such guidelines become the responsibility of the governing body.

Because Boards are responsible for negotiating executive contracts and for compliance with compensation guidelines, the Panel recommends that PSEC and the Employer Associations increase their active support to Boards by providing ongoing education, guidance and training regarding compensation issues. Such support could include advice and support to public sector employers during the stages of CEO contract development.

With regard to the Crown Corporations sector, it is imperative that a sector framework for CEO compensation be developed which both takes adequate account of unique market factors and comparators and accounts for the fact that Crown Corporations are part of a larger public sector. In establishing such guidelines the CCEA and PSEC should expect input from the relevant governing bodies with respect to market comparators and factors affecting compensation. CCEA and PSEC should also seek independent advice on how to weigh particular market factors with public sector factors to achieve an appropriate and balanced set of sectoral guidelines.

The most serious issue with regard to public sector executive compensation is the voluntary nature of compliance with association and PSEC approved guidelines. Once fair and reasonable guidelines for a sector have been approved, the Panel recommends consideration be given to effective means of ensuring compliance.

The Panel recommends that an independent Standing Advisory Committee be appointed to assist the PSEC Secretariat and the Employer Associations, with CEO/Executive compensation issues.

The Panel recommends that the Advisory Committee be the same Advisory Committee as that recommended in the report on the Review of Deputy Ministers' Salary Adjustments and that it be provided with sufficient resources to accomplish the tasks identified regarding public sector executive compensation.

The task of the Advisory Committee, in the area of compensation for heads of public sector bodies, will include:

a. Reviewing those elements of sectoral plans which deal with CEO compensation and the compensation guidelines to assist in attaining current and appropriate guidelines and compliance;

b. Advising and assisting PSEC with respect to compensation guidelines in any sector where they do not exist;

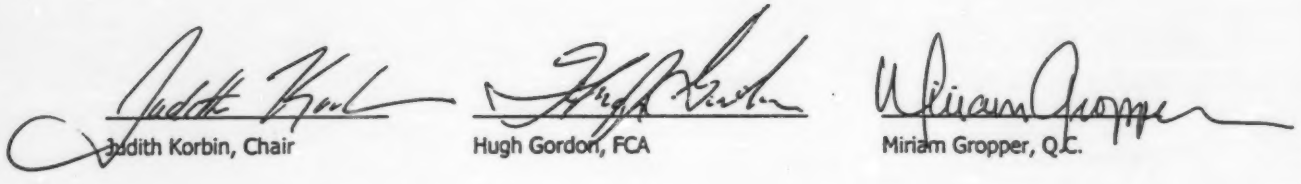
c. Providing PSEC and the Employers' Associations with ongoing independent advice regarding the appropriate factors, comparators, and relevant labour markets for CEOs in the public sector, especially those whose markets may be highly specialized or controversial;

d. Providing PSEC and the Employers Associations with an independent assessment of the currency of the salary ranges in the different sectors;

e. Advising on all matters relating to the integrity of the process for establishment of CEO compensation.

The Panel recommends that in the interim until the Standing Committee is established and functioning, changes to CEO compensation in the Crown Corporations sector and to CEO compensation outside the approved guidelines in the other public sectors be subject to discussion with PSEC. If significant non-compliance with this recommendation becomes a factor, public interest may require that PSEC be empowered by government in some manner to develop a method for ensuring compliance.

All of which is respectfully recommended by the Panel to the Premier of British Columbia.



Judith Korbin, Chair | Hugh Gordon, FCA | Miriam Gropper, Q.C.